OFFICE OF CONSERVATION

STATE OF LOUISIANA

OILFIELD SITE RESTORATION

CONTRACTORS MEETING

REPORT OF MEETING

HELD AT

BATON ROUGE, LOUISIANA

JULY 20, 2005

OFFICE OF CONSERVATION

STATE OF LOUISIANA

OILFIELD SITE RESTORATION

CONTRACTORS MEETING

Report of the Oilfield Site Restoration Contractors meeting held on July 20, 2005, in Baton Rouge, Louisiana.

IN ATTENDANCE:

REPRESENTING THE OFFICE OF CONSERVATION:

Doyle Johnson, Manager, OSR Section

Gary Ross, Assistant Director of Engineering

John Aldridge, Director of Engineering

Judy LeBourgeois, Purchasing Director

Kjel Brothen, Division OSR Engineer

Dustin Landry, Division OSR Engineer

Steven Giambrone, Division Site Clearance Engineer

Bruce Ballard, Division Site Clearance Engineer

Wayne Simar, Lafayette District Engineer

Jackie Devall, Monroe District Engineer

Robert Gray, Shreveport District Engineer

OILFIELD SITE RESTORATION

CONTRACTORS MEETING

JULY 20, 2005

* * * * *

MR. JOHNSON:

I'd like to thank y'all for coming. I understand a lot of people are stuck in traffic on the interstate, so this is your lucky day. It looks like we'll kick half your competition off the bidder's list due to their misfortune. I'm just kidding about that. Anyway, there will be people coming in later if they clear that 18-wheeler off the interstate.

My name is Doyle Johnson. Let me just introduce everybody. That's Gary down at that end, Jackie Devall, Wayne Simar, Kjel, Dustin, that's Bob Gray, and that's Judy LeBourgeois at the other end. We're going to go ahead and get started today. I hope every one of y'all signed in and got a copy of our agenda. Be looking that over, please. There are some questions in the back that we're going to be going over at the end, so you might want to familiarize yourself with those.

We're going to start off today's meeting with a presentation, Ms. Judy LeBourgeois, she's our purchasing director, and she just wants to bring you up to date on any changes she might have in her department. So at this time I'll let Judy take the floor.

MS. LEBOURGEOIS:

I know that the ones of you who have gone out to the site visits know that we hand out the bid packages now. We do mail a notice to bidders to everyone who is on the

approved bidder's list. You can also go to oil site -- Conservation Oil Site's Web page to download the bids. You can also go to my purchasing Web page. Whenever the bid is opened and awarded I do post who the low bidder is, not necessarily who it's going to be awarded to until we go through all of the evaluation stages, but I do post who the low bid is.

If you're not familiar with the Web site give me a call whenever you get back to your office and I can walk you through it and show you where theirs is and where ours is so you can look at those things. There's also a place that you can go to if you want to find out if you have a payment coming to you, online, and you will eliminate phone calls. You can do it at your leisure, at night or whatever.

Bill Beck is the one who works real close with me in the purchasing department and he doesn't ever want to come to these things.

Just a few points that I want to bring out is if you are submitting a bid you have to enclose it in the envelope that we provide to you at the site visit. If you are not planning to bid on it you do not have to return a bid. But if you do insist on returning a "no bid," please do not put it in your letterhead envelope. Return it in the envelope that we provide. I am not supposed to know before the bids open that you're not bidding on this.

Make sure that you return the entire bid package. Make sure that your contractor's license number is on the outside of the envelope, because if the bid is for over

$50,000 we'll open it to see how much your bid is, but we cannot read it and we cannot accept it, and the contractor's license board will be contacting you at that time.

Make sure that if you have any whiteouts or any corrections on your bid package that you initial them so I won't have to throw your bid out for that reason.

I don't know that there's many more things. I send out letters occasionally to familiarize you often with some of the new things that we have. Does anybody have any questions for me?

(No response.)

Thank y'all.

MR. JOHNSON:

Thank you, Judy.

The next topic on our agenda covers the site clearance and verification applications for our site clearance surveys. I'm going to ask Steven Giambrone or Bruce Ballard to come up here and field any questions that you may have concerning that application process. Steven, if you'd just like to just tell them who you are and what you do and your application process procedure, and see if anybody has any questions regarding that.

MR. GIAMBRONE:

My name is Steven Giambrone and I work in the Engineering Division in Conservation. I am responsible for the site clearance program, along with Bruce Ballard.

Any time that you may be plugging wells that are on a state lease in a water location, a site clearance application is required to be filed within 90 days of the

plugging of the well. However, you can file the application before you plug the well. What site clearance is is the structures associated with the well should be removed and a survey, depending on where the well is, should be performed around the well to ensure that all obstructions in the water have been removed.

Does anybody have any questions about that, about the application or about how the program works?

(No response.)

Thank you.

MR. JOHNSON:

Just for your information, those of you that may not be familiar with these types of surveys, when we do a job on the water we do require, as part of the site clearance contract, a site clearance verification survey be conducted. And Steven's section is part of the Engineering Division of which Oilfield Site Restoration is also a part. And we're actually -- although we work together, we are separate entities and we treat the Oilfield Site Restoration program as if it was one of Steven's clients. So it is a requirement that the contractor apply for and get approval to do the survey as part of the site restoration clearance contract. So we treat ourselves as if we were just a separate entity and do business with Steven just as any other contractor would or any other operator would.

So if no one has any questions -- yes, sir, in the back.

MR. MARTIN:

Of course, I had a meeting with Steven this morning.

My name is Jimmy Martin. On your site clearance verification, are you going to have a separation between the contractor that removes the location and the site clearance, as far as not having any financial ties?

MR. JOHNSON:

Yes, Mr. Martin, that would be at the discretion of the site clearance survey section, whatever their rules require. I'm not that familiar with their statute. I would have to defer that back to Steven.

MR. GIAMBRONE:

As we discussed this morning, we're going to take a look at that and see if we feel that's going to be a necessary change to make to the program.

MR. MARTIN:

Thank you very much.

MR. JOHNSON:

Any other questions?

(No response.)

We will go ahead and go through the remaining items on our agenda. The next item would be bidding salvage. And we're going to refer, actually, to the next two items, too. The first set of pages on your handout, which is actually Sections 1 through 6 of our latest bid package, and there's been quite a few revisions to Sections 1 through 6 here in the last couple of months and that was one of the main purposes of this meeting would be to point out those changes to y'all. So we will be referring to different items on these various sections throughout the remainder of the meeting before we go to the question-and-answer part.

One of the biggest changes that we have made in the last couple of months would be the bidding of salvage, which is Item 4 in Section 2 of your handouts.

The biggest change here is going to be with regards to the bidding of downhole tubulars as part of the salvage in the bid process. We still require that if a contractor would like to deduct salvage from their bid to give us an itemized listing of that salvage. And previously we had been warranting the existence of casing and tubing in the wells based on the latest records in the Office of Conservation well files. However, we found out that in a large number of these wells they've actually been stripped of the tubing and there is only, at best, sometimes one joint of tubing in the surface.

So based on this conclusion it's now the policy of this Office and part of the contract, part of the bid specs, that we can no longer warranty the existence of or the recovery of any downhole tubulars; to include, tubing, pumps, casing, and any other downhole equipment that is commonly present in some of these wells.

Other than that nothing else has changed with regard to bidding salvage. You still need to give an itemized breakdown of the salvage which you would like to claim as part of your lump-sum bid price. You need to place a price on each piece of salvage, and if in the time period between the site visit and the start of the contract, if any of that salvage has disappeared from the location, Conservation -- or Department of Natural Resources will reimburse you for the amount that you placed on that salvage. Other than we will no longer guarantee tubulars

or downhole equipment, nothing else has changed with regards to the bidding of salvage.

I would be glad to field any questions regarding this when we get to the question-and-answer section. In the meantime we would just like to go ahead and go through the rest of the items on the agenda, then we're going to open up the floor to any questions and answers that you may want us to go over.

The next item on the agenda will be the equipment requirements, and let's look first at our BOP requirements and the testing of those BOPs. Let's start with Item No. 25 in Section 2. This is a new item that we've added to the instructions for bidders and contractors. What Item 25 is is basically a reiteration of LAC 43:XIX, Section 111, which says that all wells, when drilling or running or pulling casing or tubing, shall be equipped with hydraulically operated blowout preventers equipped with both blind rams and pipe rams equipped with proper sized elements for the pipe being run. Annular or bag type hydril preventers may be substituted for the pipe rams. The BOP stack shall also include full-bore access to the casing below. Unless otherwise stated, the BOP stack shall be rated to a minimum of 3,000 psi working pressure.

This change was instituted because we found out that there are various -- there's a wide discrepancy in the BOPs that are being used out on OSR projects over the years, and in order to ensure that all contractors are bidding on the same playing field with regards to BOP equipment we decided that we're going to institute this

minimum BOP requirement.

Now, this section does go a little bit further than what's in Section 111 of 29-B in that we are going to require that the BOP stack have both blind and pipe rams and that they be hydraulically operated, with the exception that the annular or bag type preventer may be used in lieu of a pipe ram.

And with regards to the full-bore access to the casing below, we are going to look at this on a case-by-case basis. In case that you get into any casing that's larger than 7", we're going to look into the requirement as to whether or not we're going to require full-bore access to larger diameter pipe. If so, we will state so within the scope of work. And also with the requirement that the BOP stack be rated 3000 psi. Again, that's just a minimum standard. If we need to deviate from that we're going to look at that on a case-by-case basis.

We also have been questioned regarding the use of BOPs on small diameter pipe, wells which are slim hole completions. We've addressed that in questions and answers. We'd also like to bring that to the floor for discussion with you folks regarding the need for those things to be hydraulically operated. We want to get your feeling as to whether or not those type of preventers are readily available out there in the real world. So we'll ask for comments on that when we get to the question-and-answer period.

Moving right along, let's jump down to Item C -- I'm sorry, I did forget the BOP test definition in Section 4, Item No. 13. That's also been a question that has drawn

a lot of interest, really what constitutes a BOP test. And we are going to stand by the definition of Item No. 13, what constitutes a BOP test in its entirety. As you'll see that we require that the BOP test qualify the integrity of the entire BOP body, connection to the wellhead, and seal of blind or pipe ram elements. We would also need a retest each time the BOP stack is removed and subsequently reinstalled. We understand that unless there's a packer in the hole or there's already a plug in the hole that it's going to cause some difficulty to get something to test against. For that reason we're going to, on a case-by-case basis, determine whether or not we're going to require this full test as outlined in this section in Item No. 13, and if we do require this BOP test it's going to state so explicitly in the scope of work for each well. We will say install and test BOPs. Otherwise we would not expect the contractor to do this test unless we state so.

Now moving to Item C of No. IV, the pump and tanks, you see we have a remark there "No Pits." And I'm going to refer y'all to Items 29 and 31 of Section 2. We've also found out here recently out in the real world that it's kind of a common practice to, in certain areas, for contractors to build what's been referred to as plugging pits to circulate wellbore fluids into, just a small four-foot diameter hole or something like that, and then at the end of the job suck out the water and fill it in. Well, technically that is not within the guidelines established by 29-B with regards to a pit. 29-B says a pit is an excavation made for the purpose of storing

oilfield waste. So even these little small plugging pits, as they're called, still constitute a pit.

So, therefore, we're going to require that we have a steel tank on location in which to circulate wellbore fluids and no longer allow the digging of these little small pits. But in the event that an exception is granted you would still be required to comply with Item Nos. 29 and 31 in which this plugging pit would have to be registered with the Office of Conservation on a Form UIC-15 and then closed in accordance with the testing criteria of LAC 43:XIX Sections 311 and 313. And then also you would have to file the Form ENG-16, the oilfield waste disposition form. So as you see it's probably easier just to put a tank out there than it is to comply with these two sections.

I guess next we can go to the bid package and the workstring minimums, and that's going to be Section 6. Again, just to keep everybody on an even playing field, this was an example of an earlier package of wells, as I said, that last package that went out in which the depth of the deepest well was 2200', and we specified that a rig shall be capable of pulling a minimum load of 80,000 pounds with two lines running the blocks. That's a minimum two lines running the blocks. You could run four if you wanted to. We also specified that the rig would have a minimum of four-man crew with a tool pusher and be equipped with power tongs, weight indicator and all handling tools for 2 3/8" and 2 7/8" workstrings, which that was in there because of some pipe that was in those particular wells in this bid package. Again, we've

reiterated that we would have to have hydraulically actuated BOPs rated to a minimum of 3000 psi working pressure. Again, if this standard was going to change this package we would state so in this section as well. We will try not to contradict ourselves, have one thing in the scope of work and one thing in the minimum equipment requirements.

And then, of course, the pressure safety valve, or what's commonly referred to as a TIW valve. And then a circulating pump capable of pressuring up and circulating 1,000 psi at three barrels per minute. And we would want, of course, all connections in the lines between the pump and wellhead rated for the same working pressure of 1,000 pounds; the 80-barrel steel circulating tank, and then the minimum of 1500' of 2 3/8 workstring, which is what's going to be the depth of the deepest plug that we're going to be setting.

We will probably stick with 2 3/8" workstring for most pipe diameters until you get below four and a half pipe, and then, of course, we go to something smaller. But we did want to set the minimum size workstring that we're going to be using on these jobs. We didn't want anyone using anything like an inch and a quarter, inch and a half down to 4000' unless it was absolutely necessary. It limited us on the amount of work that we could do should a change order situation develop and the amount of pull, you know, that we could place on the workstring.

That's the biggest changes that have taken place here in these bidding requirements in the last couple of

years. Like I say, we have responses to several questions in the back. I hope y'all have all had time to review those, and we just at this time would like to open up the floor to any questions you may have, any questions in the back that you would like clarification to or any other questions that you may want to pose to the section here.

MR. EMMERT:

My name is Todd Emmert. I'm with Elm Springs. I would like to thank Mr. Johnson and the rest of the OSR staff for spending their time to answer our questions. On question one in the answer it states, "all standard industry practice usually employed in overcoming an obstacle..." on and on and so forth. And I wanted to try to get a feel for what your concept of standard industry practices were on certain situations, such as, if we encounter stuck tubing in the well.

Our -- in working for other companies, not OSR but other companies, our standard practices would be to first try several methods to release an anchor or packer; not knowing if there's an anchor or packer in there or what type it is, we would try several different methods. Then we would try to pull on the tubing a safe amount given the condition of the tubing. We would try to jar the tubing a loose, and continue these steps, rotating these steps off and on for, say, an hour. At that point we would be ready to contact someone to get some further directions, and we would be off bid at that point.

MR. JOHNSON:

Yes, okay, Mr. Emmert, those are some very good

points. The field supervision of the site restoration projects takes place through the district office. I guess your question would be what constitutes industry practices and reasonable amount of time. Generally, at this stage of the contract, until we get into a change order situation, it is usually any consultation that you would have with someone within the OSR section would be the OSR district engineer. And I guess what we're looking for in our bids is for a contractor to make a diligent attempt to get around any obstacle that may be encountered using the equipment out on location that was required by the scope of work.

I understand that time is money and your equipment is usually charged off on an hourly basis and you don't want to spend a whole lot of time trying to free stuck pipe beyond that which is reasonable. I guess the answer to your question would be it would -- that decision would be rendered at the district level upon consultation with the district engineer.

MR. EMMERT:

Can we get the district engineer to weigh in? Is that pretty much standard industry -- is that pretty much the standard industry practices? Would you require something else before you deem the pipe stuck?

MR. GRAY:

I think what you just said is an industry standard. I would say probably four hours of rig time, if you're looking for some kind of a guideline as to what I would be looking for, would be about four hours.

MR. EMMERT:

You would work with the tubing for four hours trying to get it unstuck?

MR. GRAY:

Right. That's kind of my feel for what it would take.

MR. EMMERT:

What about you, Mr. Wayne?

MR. SIMAR:

Todd, I don't know. I wouldn't be able to give you a definite answer on that. That's just different -- it just depends a lot on the situation. But we always do, with industry, try to get them to make, like Doyle was saying, an attempt. Now, sometimes you can determine it a lot earlier than you can other times, you know. But if you make a diligent attempt to free the pipe -- we just look at it on a case-by-case basis.

MR. EMMERT:

Of course, what I'm trying to get at is, how much of this cost should I include in my bid? At what point do you step in and say, okay, you've done enough, now we're going to -- we want you to do this, this, and this and we're going to pick up the cost on that? If I worked it for four hours, then that's going to be all right? Then you're going to say, okay, you've done enough?

MR. SIMAR:

Yes, it could be. If -- it depends, too, on what happens if you -- you know, is there any steps in the bid that you skipped, if we do -- if you're unsuccessful in fishing it right for four hours. Right? But, you know, I would just probably at that point say, that's good

enough, and we probably do whatever we need to do, change the procedure from that point on. You know, what are we doing -- how are we going to plug the well from that point.

MR. EMMERT:

Right. What about you, Mr. Jackie?

MR. DEVALL:

Based on what you outlined there, if I had gone through each one of those steps and I'm spinning my wheels, I'm not doing any good, somewhere between one and four hours I'm going to call and make a recommendation to Doyle that we change procedures and move on. But if I were bidding something in I would probably put a four-hour allotment in there, under these situations.

MR. EMMERT:

Now, the other thing, given that same scenario, we're out there working this pipe trying to get it a loose and we part it. Is that negligence on our part?

MR. JOHNSON:

As long as you didn't pull over the yield pressure of the joint.

MR. EMMERT:

The 80 percent of the yield?

MR. JOHNSON:

Of course, that's for new pipe. We would want to go a lesser amount depending on conditions. But if there weren’t an excessive amount of pull, that would just be one of those things that happen, in my opinion. You might want to get with the district engineer and tell him, do you agree with this as being an acceptable amount

of pull.

MR. EMMERT:

Before we get too rough with it?

MR. JOHNSON:

Before you get too rough with it.

MR. EMMERT:

What about like a hole in the casing. Say we set the bottom plug, we tag the plug, we tested the casing, the test fails. Working for companies in the industry, you know, at that point we'd be off the bid, we'd call in and get orders, see what you wanted to do next.

MR. JOHNSON:

Yes, sir, that's what we would want to do in our situation as well. We would want to consider changing procedures around. Typically what we'll -- we certainly wouldn't want to go in the hole with any cast-iron bridge plug or any kind of packer once we had identified there being a hole in the casing, which we do, you know, use a lot of bridge plugs in our plugging procedures. Again, the district engineer would agree to those procedural changes.

MR. EMMERT:

Collapsed casing and junk in the hole. In the industry when we can't get down with a gauge ring or bit, we're off bid, call in, get orders.

MR. JOHNSON:

Yes, sir, again, in this situation --

MR. EMMERT:

Most of your procedures say, you know, pull out of hole and then run in hole with gauge bit to such and such

a depth. So if we encounter collapsed casing, junk in the hole, what kind of efforts, what kind of steps do we need to include in our bid cost to get on the bottom?

MR. JOHNSON:

Typically, in every case we are going to have to get down below the base of the USDW, the underground source of drinking water for the lower plug. If the collapsed casing or the junk is above the USDW we would want to get through it. If it's deep enough we would set the plug there at that point. Now, any junk or collapsed casing the contractor would not be responsible for. That would constitute a change in procedure, unless that particular circumstance was identified within the bid.

MR. EMMERT:

Right, of course. We get into pulling a wet string sometimes and we generally go off bid there and call in, just to see how they want to handle that, whether they want to put it on the ground, try to put it in a catch pit, which you said earlier was not going to be allowed now. If there's not a rod string in the hole we can punch a hole in the tubing and circulate the well, that kind of thing. If you requested us to punch a hole in that tubing and circulate the well so we wouldn't have to pull a wet string, that cost would be on y'all? Would that cost be on y'all or is that something we should include in our bid cost to start with?

MR. JOHNSON:

You mean if we specifically requested that you do that?

MR. EMMERT:

If we get out there and for some reason there's an obstruction in the bottom of the tubing, the tubing won't drain and we're forced to pull in a wet string; we can't dig a catch pit.

MR. JOHNSON:

I would think if it's something that we specifically requested that it may constitute a change order procedure, but I'm going to have to get that response clarified before I --

MR. EMMERT:

That was something else. Can we get a copy of these transcripts?

MR. JOHNSON:

Sure.

MR. EMMERT:

Another situation we run into sometimes is we can't kill a well with nine-pound fluid. At that point, working with companies in the industry, we would be off bid and call in and get orders to see what they wanted to do next. That would be the industry-standard as far as I'm concerned. Is that the same way you're thinking?

MR. JOHNSON:

Typically, Mr. Emmert, the way we've interpreted the scope of work here recently is that if it said to kill well it meant kill the well, whatever it may take.

MR. EMMERT:

So whatever means -- whatever cost it takes to kill the well we're going to be responsible for killing it?

MR. JOHNSON:

Yes, sir, that's the way it's been interpreted here

recently.

MR. EMMERT:

Question number five, if we create a hole in that casing while we're attempting to test the BOPs is that negligence on our part?

MR. JOHNSON:

I would not think so if you were conducting a test to the test pressure specified by this office.

MR. EMMERT:

Question number seven, I didn't quite understand the response: "Yes, depending on the salvage value given." If we give enough we'll be reimbursed, if we don't give enough we won't, or --

MR. JOHNSON:

Yes, sir, Mr. Emmert, it's required that an itemized listing of salvage be given with the bid, and we would reimburse the contractor for the value that he placed on that piece of missing equipment.

MR. EMMERT:

If he submitted a breakdown? Okay, all right.

MR. JOHNSON:

If a breakdown was submitted --

MR. EMMERT:

I understand.

MR. JOHNSON:

-- and a cost identified.

MR. EMMERT:

On question number 11, what if all the provisions of the bid package have been met and we still have a blowout out there due to reasons beyond our control. Is the

contractor still fully responsible for the cleanup?

MR. JOHNSON:

Could you give me some examples of circumstances maybe beyond your control?

MR. EMMERT:

Well, we recently had a situation where we were trying to gain access to the tubing and there was only one joint of tubing packed off in a Larkin head, and trying to open a valve we shook that joint enough to where it blew up, hit the derrick leg and knocked the valve off, and then we had a blow-out -- well, not a blow-out, but a release there for a few minutes until we could get a valve stood back in there.

MR. JOHNSON:

Did you attempt to check any tubing or casing pressures?

MR. EMMERT:

That's what we were attempting to do at that time.

MR. JOHNSON:

What we do, we rely on the contractor to be as careful as possible when working on these wells because we don't know ourselves what kind of condition they may be in, especially inside the wellbore itself. I'll have to get a clarification for that question as well.

MR. EMMERT:

Will you be sending those out to everybody here, or how will that be handled?

MR. JOHNSON:

They would be going out to everyone.

MR. EMMERT:

Question number 12, it is expected of the contractor to immediately assess the condition of the well upon gaining entry to the casing. Could you explain that a little better or clarify that for me, I don't quite understand.

MR. JOHNSON:

That would be once you gained access to the wellbore to do a casing and tubing integrity test, if at all possible, or if -- once you -- if there's no way to test it, once you go in and try to circulate, if you fail to get full returns, which you would suspect it possibly could be a hole, in addition to the perfs that will take in the fluid, and keep the district engineer apprised of the finding. If you suspect that there is a problem, just to let the district engineer know as soon as possible so that there can be some kind of change in procedure, if warranted.

MR. EMMERT:

Question number 14 is kind of along the same lines, and you say that DNR may be responsible if the contractor discovers the hole and reports same to the district engineer prior to any downhole work being performed, but that's usually not the case. Usually you discover these holes later on in the scope of work, and, really, I don't know how you would discover a hole before you start working downhole.

MR. JOHNSON:

Again, as we discussed earlier, if you notice a problem with your returns or, you know, you could do a packer test prior to unseating your packer.

MR. EMMERT:

Even if the hole is not discovered before we do any work downhole DNR still may be -- you still may pick up the bill for those additional costs?

MR. JOHNSON:

Yes. At the time that the district engineer enters into the discussions and there's going to be an approved change of procedure, if we can't swap out the work that is left in your bid to do this revised procedure, then at that point we would consider a change order.

MR. EMMERT:

Question number 16, change order may be issued if unexpected junk is encountered in the well. Can you give an example of when junk would be encountered and a change order would not be issued?

MR. JOHNSON:

If the junk was deep enough that we didn't have to get below it, that we could set the plug high.

MR. EMMERT:

So if the junk was not to be removed then there wouldn't be a change order?

MR. JOHNSON:

Like I said, other than the fact that the junk was identified in the bid as being there. Of course, that would no longer make it unexpected at that point in time.

MR. EMMERT:

Then in question 17 where you say may be, that's basically the same thing, if there's no additional cost there's not going to be a change order.

MR. JOHNSON:

That's correct.

MR. EMMERT:

But if there is additional cost, then a change order will be issued.

MR. JOHNSON:

And that's number 17?

MR. EMMERT:

Number 17. It says, "a change order may be issued to retrieve both tubing and rods." I was just wondering in what instance would the change order not be issued?

MR. JOHNSON:

If the rods were stuck and you could strip them out with the tubing, in our opinion, you know, you still could get around that problem out there. Now, if rods and tubing were stuck and you had to get out wash pipe or some other type of fishing equipment, then that would be beyond the materials that we bid the project for.

MR. ROSS:

Mr. Emmert, if I may interrupt, let me ask you a question with regards to 17, number 17 that you were asking about a second ago. Previously you made comments about possible need, if tubing is plugged, for punching a hole that would allow you to circulate, therefore, not pull a wet string. Number 17 is a little more specific, if the condition of the tubing and the rods in the well are such that the rods would be stuck in the tubing and you were to recover them; but also in the answer, the contractor would be expected to strip tubing and rods out of the hole. In that process of stripping out of the hole, two parts: one is, what, from your experience, have

you typically observed as additional time and therefore cost in stripping out of a hole versus being able to pull the rods and then pull the tubing; and secondly, in any scenario where you're having to pull a wet string, what is the additional involvement for capture and/or recovery of any of the contents of that wet string that would then be handled for disposal but also restoration of the site?

MR. EMMERT:

As far as additional time I would say probably three to one, it take you three times as long to strip rods as it would to pull rods.

MR. ROSS:

That would be in the entire process of pulling rods and then pulling tubing versus stripping out of the hole?

MR. EMMERT:

Versus pulling the rods and tubing out. And if you can't dig a pit and you've got rods in there and you can't go down and punch a hole in your tubing, I don't know. Some kind of small steel tank, I guess, and raise your floor up high enough where you can dump over into it.

What would you think, Mr. Bob, what would you do there?

MR. GRAY:

I don't know.

MR. EMMERT:

I guess that would be a deal to where we may have to dig a pit and fill out the forms.

MR. JOHNSON:

The pit is still a possibility, you just have to go

through the reporting process and test it.

MR. EMMERT:

Did that answer your question, Mr. Gary?

MR. ROSS:

Yes, sir, specifically with regards to that point, but then, I guess a follow-up to that would be is, that, of course, would be unexpected activity and the construction of the pit would require, as Doyle indicated earlier, under Sections 29 and 30 of registering that catch pit, and then possibly the sampling and the closure; is that not right, Doyle?

MR. JOHNSON:

That's correct.

MR. EMMERT:

Opens up a whole new can of worms.

MR. ROSS:

I understand.

MR. EMMERT:

Question 18, Section H, the way I read that and I want to know whether I'm reading it right or not, is if we disagree on whether a change order is warranted or not, if we disagree with OSR as to whether we should receive a change order or not, can we pull off -- and OSR refuses to issue a change order, can the contactor pull off the well, be paid for the work that he's already done without any negative repercussions to the contractor? Is that what that's telling me?

MR. JOHNSON:

Yes, sir, Mr. Emmert, that is what is in -- it's my understanding of Title 38 of the State Procurement Code

is that when there is a need for a revision to the scope of work, at that point in time, in most state contracts, the contractor and the state entity would enter into negotiations to come to a change order amount. And if you can't -- if the two bodies cannot come to an agreement, then at that point in time the work would be suspended.

As far as any negative repercussions, there are times in which we as a state body feel like we would be better to go off and go back to the drawing board in plugging a particular well than do it on a change order basis, because as you know in this line of work no sooner than you get into an agreement on one change order, you go out there and the next minute you're stuck again, you've got to go try another plan. So sometimes at that point in time it becomes best just to suspend work on that particular well, take it out of the package. So I would think the contractor would have the same liberty that we would.

MR. EMMERT:

All right, sir. Well, I thank y'all for your time.

MR. JOHNSON:

We will get you those responses to those questions we said we would clarify later.

MR. ADDISON:

Kenneth Addison, A&T Well Service. On regards to testing of the BOPs, whenever the contractor does a test on the BOPs, will a state representative be present at each test?

MR. JOHNSON:

Yes, Mr. Addison, we have a representative on our OSR projects practically all the time.

MR. ADDISON:

Okay, next question. We do a test on the BOPs, your people witness it, approve it, we start work, pressure hits us and the blow-out preventer fails. Is the contractor still liable?

MR. JOHNSON:

Of course, we would have to look into the circumstances of the failure; you know, was it a flaw in the equipment or what. I guess it would be a situational matter, we would look into the situation.

MR. ADDISON:

Thank you.

MR. JOHNSON:

Anybody else?

(No response.)

Well, I've got a question for y'all. How about hydraulically operated small-tubing BOPs, does anybody know if those are readily available out there? Yes, Mr. Emmert?

MR. EMMERT:

It's either Huber or one of those groups that make the rod BOPs, I think, make a hydraulic adapter kit for their BOP, and also make rams for one inch through inch and a half, I believe.

MR. JOHNSON:

So would that be an extreme burden to require those?

MR. EMMERT:

$1,800.

MR. JOHNSON:

Per day?

MR. EMMERT:

No, for the adapter, the hydraulic adapter kit, to purchase it.

MR. JOHNSON:

To purchase it. With regards to BOPs, I think I failed to mention that rod BOPs of any nature, they are not required by 29-B specifically, and through discussions with the staff this morning we determined that we would determine whether or not we would require rod BOPs, again, on a case-by-case basis, and if so we would state that within the scope of work. So you would know beforehand if we required rods -- I mean, BOPs when pulling rods.

Any other questions?

(No response.)

If there are no other questions, I guess we are ready to adjourn. I want to thank all of y'all for coming, take your time out to come out here. As always we value your input. We want to be on a good working relationship with our contractors, and at any time if you have any questions, just feel free to give any of us here on the staff a call.

And as Mr. Emmert stated, the transcripts of this meeting are available. I think there's a small charge for reproduction, but normally we get the transcript within three to four weeks. If you would like to request a copy give me a call. Again, we'll be coming out with a summary of this meeting with some answers to some

questions that we want to discuss further amongst ourselves.

And if that's it, I guess we will be adjourned. Thank y'all.

CERTIFICATE

I, SUZETTE M. MAGEE, Certified Court Reporter, do hereby certify that the foregoing Oilfield Site Restoration Contractors meeting was held on July 20, 2005, in the Conservation Hearing Room, Baton Rouge, Louisiana; that I did report the proceedings thereof; that the foregoing pages, numbered 1 through 32, inclusive, constitute a true and correct transcript of the proceedings thereof.

_____

SUZETTE M. MAGEE, CCR #93079

CERTIFIED COURT REPORTER